

October 25, 2017

Event Update

India's infrastructure story gaining momentum

The government (Ministry of Finance) in a press briefing yesterday (24 Oct'17), announced a major road building program along with the planned expenditure and capex targets for the infrastructure sector.

Key Highlights:

- The government so far (up to Sept'17) has done a total expenditure of ₹11.47 lakh crore of the targeted ₹21.46 lakh crore (up ~6% YoY) in FY18.
- For FY18, the government's capex target is ₹3.09 lakh crore (up ~31% YoY), of which it has spent ₹1.46 lakh crore so far up to Sept'17.
- The Central Public Sector Enterprises (CPSEs)'s capex target for FY18 stood at ₹3.85 lakh crore, of which they have spent ₹1.37 lakh crore.

Infra Sector Focus:

- **Roads:** Over the next 5 years, the government is planning to build 83,677 km of roads with an investment of ₹6.92 lakh crore. This includes the BharatMala Pariyojana (BMP) which entails road construction of 34,800 km (*please see exhibit 1 for details*) with an investment of ₹5.35 lakh crore and the balance 48,877 km work with an investment of ₹1.57 lakh crore will be undertaken by the National Highways Authority of India (NHAI)/ Ministry of Road Transport and Highways (MoRTH) under various schemes. This is likely to generate 14.2 crore mandays of jobs.
- **Rural Road Connectivity:** Under the Pradhan Mantri Gram Sadak Yojana (PMGSY), the government aims to develop better road connectivity in the rural regions. Over the next 3 years, the government along with state governments plans to invest ₹88,185 crore to construct 1,09,302 km of rural roads to cover 36,434 habitations.
- **Housing:** In a boost to the construction industry, the government is focussing on the Affordable housing for All. Under the Pradhan Mantri Awas Yojana (PMAY) – Urban, the government is planning to build 1.2 crore units with an investment of ₹1.85 lakh crore over the next 3 years. In addition, under the PMAY – Gramin, it plans to build 1.02 crore units (51 lakh units this year) with an investment of ₹1.27 lakh crore by the centre and state government by Mar'19.
- **Power:** The Saubhagya (Pradhan Mantri Sahaj Bijli Har Ghar Yojana), was launched to ensure last mile connectivity and electricity connections to all remaining un-electrified households in India by Mar'19. An investment of ₹16,320 crore, which includes government support of ₹12,320 crore has been proposed for the same.
- **Railways:** The government is focussing on strengthening and developing the rail network. The capex planned for FY18 stands at ₹1.31 lakh crore of which ₹50,762 crore has been spent up to 31 Aug'17.

Details of planned road building program:

BharatMala Pariyojana (BMP)

The BMP project, an umbrella highway development programme, is expected to provide a host of opportunities for the road construction players and also boost associated sectors like the cement and steel. The project is proposed for completion in five years (by 2021-22) through NHAI, National Highways and Infrastructure Development Corporation (NHIDCL), MoRTH and State Public Works Departments (PWDs).

Funding: The planned investment of ₹5.35 lakh crore is likely to be funded by ₹2.09 lakh crore to be raised via debt from the market, ₹1.06 lakh crore from private investments, ₹2.19 lakh crore from the Central Road Fund (CRF), Toll-Operate-Transfer (ToT) Monetisation proceeds and toll collections of NHAI.

The balance road works (48,877 km, investment of ₹1.57 lakh crore) would be funded via Central Road Fund (CRF) ₹0.97 lakh crore and Gross Budgetary Support (GBS) of ₹0.59 lakh crore. In addition, the government is looking at the monetisation of 82 operating highways with investment potential of ₹34,000 crore taken up, with 1st bundle of 9 National highway (NH) stretches of 680.64 Km bid out with monetization value of ₹6,258 crore.

Exhibit 1: BharatMala Pariyojana Details

Program Details	Proposed Construction (km)	Focus
Economic Corridors	9,000	To unlock full economic potential
Inter corridor and feeder route	6,000	Ensuring holistic connectivity
National corridor efficiency improvement	5,000	Enhancing efficiency
Border roads and international connectivity	2,000	Boosting border connectivity
Coastal roads and port connectivity	2,000	Leveraging ports for progress
Greenfield expressways	800	Express speeds for express gains
Balance NHDP works	10,000	Boosting all round connectivity

Source: Ministry of Finance

Proposed infrastructure spends to augur well

Over FY12-15, the overall infrastructure sector (mainly roads) witnessed a bit of a slowdown owing to delays in environmental clearances, land acquisition and certain cost over runs leading to low financial performance by certain companies. With an aim to boost the sector, the government has introduced host of policy measures like easing the land acquisition law, focus on qualification status. In addition, the government's focus on creating a competitive advantage for India in terms of connectivity is boding well for the road construction players. This along with proposed investments in the affordable housing segment, railways and power sector would help boost the overall economic growth in the long run. The conversion of these opportunities into tangible orders for infrastructure companies would be a key monitorable.

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